



USAID
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Quarterly Report

April 2008 – June 2008

Business Regulatory & Tax Administration Reform (BIZTAR) Project
Moldova



June 2008

Produced for review by the United States Agency for International Development.

Prepared by DAI.

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¹ From left to the right: David Greer, Chief of Party (until June 2008), USAID/BIZTAR; H.E. Michael D. Kirby, The Ambassador of the United States to Moldova; Igor Dodon, Deputy Prime Minister, Minister of Economy and Trade of Moldova; Liuba Istrati, Deputy Head of Main State Tax Inspectorate, during the International Conference “Business Regulatory and Tax Administration Reform Project”, April 17 2008

List of Acronyms

ANRE	National Energy Regulatory Authority
NBS	National Bureau of Statistics
BIZPRO	Enterprise Development Project
BIZTAR	Business Regulatory & Tax Administration Reform Project
CCI	Chamber of Commerce & Industry
CL	Chamber of Licensing
CM	Chisinau Mayoralty
CODB	<i>Cost of Doing Business</i> survey
COP	Chief of Party
CNAS	<i>Casa Nationala de Asigurari Sociale</i> (Social Security Administration)
CNAM	<i>Compania Nationala de Asigurari in Medicina</i> (Health Insurance Administration)
DAI	Development Alternatives, Inc.
EMG	Emerging Markets Group
GOM	Government of Moldova
IT	Information Technology
M&E	Monitoring & Evaluation
MCTD	Ministry of Construction and Territorial Development
MET	Ministry of Economy and Trade
MGTCP	USAID's Moldova Governance Threshold Country Program
MIP3	Millenium-IP3 Partners, LLC
MSTI	Main State Tax Inspectorate
ODC	Other Direct Costs
OSS	One-Stop Shop
PIT	Personal Income Tax
PMP	Performance Monitoring Plan
RIA	Regulatory Impact Assessment
RP	Regional Partner
RR	Regulatory Reform
SOW	Scope of Work
STS	State Tax Service
TAMIS	Technical and Management Information System
TTI	Territorial Tax Inspectorate
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value-Added Tax

Project Overview

The USAID/Moldova Business Regulatory & Tax Administration Reform (BIZTAR) Task Order was executed by USAID and DAI (for the DAI/Nathan Group) on September 26, 2007. The BIZTAR Project seeks to improve Moldova's business enabling environment by reducing the administrative burdens on the private sector, streamlining tax administration, curtailing opportunities for corruption, and improving the access for citizens and businesses to government information. The Project will also promote public awareness and support for policy reforms to create a better business environment. Importantly it also stresses the creative deployment of information and communications technology (ICT) to facilitate transparent data management, streamlined administrative processes, and enhanced private-public sector partnerships.

Executive Summary

Principal impacts this quarter included:

Business Regulatory Reform

- Law on Licensing was amended establishing a shorter service standard for processing an application and delivery of a license to no more than 9 working days in total (from 21 days previously), and requiring application of OSS principles in obtaining information from other authorities. Revisions entered into force in June
- Draft law on authorization of construction works, which will streamline existing construction regulatory procedures, finalized

Next quarter, USAID and our partners should anticipate the following accomplishments:

Business Regulatory Reform

- An electronic register of licenses will be pilot tested at the Licensing Chamber
- 70% of Licensing Guide drafted
- Baseline information on applicants turned away from LC for lack of information established
- RIA drafted to support draft law on construction authorizations
- Law streamlining construction authorizations approved
- Guide in construction formulated and drafting started
- Draft state policy and strategy for electronic communications presented
- Reporting burden assessment methodology formulated for NBS

Tax Administration Reform

- Opinion on tax mediation presented to STS
- Tax benchmarking study presented to STS
- Opinion on tax contraventions in the draft Contravention Code presented and accepted, leading the Parliamentary Commission to decide to keep tax sanctions in the Tax Code and to exclude these from the respective Chapter of the draft Contravention Code

Also, following the resignation for personal reasons of David Greer, as COP, Mr. Robert "Beto" Brunn replaced him in late June.

Accomplishments during the Last Quarter

(April 2008 – June 2008)

General Project Activities

“Business regulatory and Tax Administration” International Conference

The USAID/BIZTAR project initiated and organized the international conference on “Business Regulatory and Tax Administration Reform” on April 17, 2008. The conference was officially inaugurated by H.E. Michael D. Kirby, the Ambassador of the United States of America to the Republic of Moldova and by First Deputy Prime Minister, Minister of Economy and Trade – Igor Dodon.

It total 74 people participated, including representatives from the Ministry of Economy and Trade, Ministry of Informational Development, Ministry of Finance, National Bureau of Statistics, Customs Department, State Tax Service, Chamber of Commerce and Industry from the regions, as well as representatives of the private sector and international experts, in particular from the United States. The conference was a unique opportunity to strengthen the efforts of public authorities to improve the business climate in Moldova by promoting the reform.



Figure 1. First Deputy Prime Minister, Minister of Economy and Trade - Igor Dodon, guarantees the Government support for the BIZTAR project

Opening the conference, First Deputy Prime Minister, Minister of Economy and Trade Igor Dodon, said that “It is very important to continue the activities started by BIZPRO and hopefully BIZTAR will rich its objectives regarding the regulatory and the tax administration reform.”

According to H.E. Michael D. Kirby, the Ambassador of the United States of America to the Republic of Moldova, “The global economy is competitive, and holding ground is not enough for Moldova to grow in the face of competition. To develop a vibrant and growing economy, to create jobs, and to ensure the most economical use of resources, Moldova needs to increase the tempo of reform.”

Mihai Onu, Head of the Entrepreneurial Development Division from the Ministry of Economy and Trade presented to the participants of the conference “Trends in Regulatory Reform”, Eugen Osmochescu, Regulatory Reform Expert, USAID|BIZTAR, and Ina Negruta, One Stop Shop Coordinator, Orhei, shared a presentation about “Improved business practices – One Stop Shops”. Oleg Grigoroii, Regulatory Reform Expert and Sergiu Rabii, IT/Strategy & Applications Manager, USAID|BIZTAR, talked about the “Simplified business reporting requirements.” Roman Ladus, Licensing Procedures Expert, USAID|BIZTAR, presented “Regulatory Impact Assessment”.



Figure 2. Eugeniu Osmochescu - Regulatory Reform Expert gives a presentation in Improved Business Practices

From the Tax Administration side, Mark Gallagher, Strategic Advisor on Tax, USAID|BIZTAR, presented to the public the “Results of the USAID|BIZTAR project on Tax Benchmarking activities”. Viorel Rusu, Tax Expert, USAID|BIZTAR, addressed the topic of “Improved Taxpayer services and reporting”. From UNDP Moldova, Ion Cosuleanu, Project Manager Building E-Governance in Moldova, talked about the “Bar Code solutions”.

Media was represented at the International Conference by 3 news agencies – “Info-Prim Neo”, “Reporter.md”, “Moldpres”, three weekly newspapers – “Eco”, “Saptamina”, “Analitique”, two radio stations – Radio Free Europe and Radio Moldova.

The three news agencies published news stories on this event, including interviews with the US Ambassador, the Deputy Prime Minister/Minister of Economy and Trade, and the coordinators of One Stop Shops and entrepreneurs highlighting BIZTAR’s focus for the up-coming years and emphasizing the importance of involving regions in the development of the reform.

Comparative analysis of *Doing Business* indicators:

There is increasing interest within the Government of Moldova (GOM) on the Doing Business (DB) Indicators and their assessment in Moldova, especially as Moldova is performing worse than most of the CIS countries.

This interest is made manifest in Government Decision no. 1263, dated 19.11.2007, on implementation of regulatory reform, which provides that Regulators will study and propose specific measures to improve DB Indicators, and present those measures to the Government and Ministry of Economy and Trade every semester. By the end of June regulators were asked to present solutions to improve the indicators. However, the understanding of those indicators is poor and regulators did not really have many suggestions; only 4 proposals were presented.

Therefore the project will explore with the Ministry of Economy and Trade the feasibility of organizing a workshop, tentatively in October, after the results of Doing Business 2009 Report are presented, to review findings as well as actions underway and plan actions related, at a minimum, to paying taxes, dealing with licenses, and starting a business.

Set-Up of TAMIS Completed

TAMIS, the computerized project management system developed by DAI, was installed this quarter and all BIZTAR team were trained to use it. TAMIS is fully operational and used by BIZTAR team in planning, coordinating and reporting activities.

Technical accomplishments

Component I: Business Regulatory Reform

Licensing reform

Implications of amendments to Law on Licensing

The Law on Licensing has been amended considerably in June (amended by Law no. 281-XVI, adopted on 14.12.2007, establishing a shorter service standard for processing an application and delivery of a license. The revised law was published and entered into force on 10.06.2008).

The amendments improved licensing procedures by enforcing the establishment of OSS' in licensing and reduction of the time necessary to receive a license. The term for the Licensing Chamber (LC) will be no more than 9 working days (5 days to make a decision, 1 day to inform the applicant, and 3 days to issue a license), instead of the previous 21 days (15 days to make a decision, 3 days to inform the applicant, and 3 days to issue the license). Moreover, introducing OSS principles in licensing will obligate the licensing authorities to obtain information from other public authorities without the involvement of the applicant, saving time and money for applicants, who were previously required to get additional information or documents from other regulators. Additionally, it will reduce direct contact with other regulators, reducing rent-seeking opportunities. However, there will be challenges for the LC which will require additional assistance from BIZTAR. Firstly, many public authorities lack capacity to exchange information electronically. Several of them do not have even an electronic database of information on documents issued by them. Secondly, not all are eager to cooperate in exchanging information, limiting the ability of the LC to determine compliance within the time limits provided by law, which could result in applications with deficiencies being approved via tacit approval. This issue can be resolved by enforcement measures requiring information exchange and by capacity building for public authorities involved in the licensing process.

The amendments made also major changes targeted at enforcing the time limits for issuing a license. They introduced the tacit approval principle, which will authorize the activity if the licensing authority does not provide an answer within the period specified by law. Additionally, the new law makes the procedure of suspending or removing a license by the authorities much more complicated. The ultimate decision is taken by a court.

There was a lot of debate on these amendments to the Licensing Law within the Government, Parliament and Presidency. Nevertheless there was sufficient political will to approve these important changes.

Working Group on Streamlining Licensing Procedures

The Working Group on Streamlining Licensing procedures, organized with BIZTAR leadership, routinely meets weekly. It includes the LC Director, Zinaida Chistruga, the LC Head of Synthesis and Information Department, Valentina Apostolov, and Mr. Ladus and Mr. Raabii from BIZTAR, as well as other LC personnel depending on discussed issues. The Working Group met twice in this past quarter: June 19 and 26.

The following issues have been discussed during the Working Group sessions:

- Improvement of the Electronic Register of Licenses, including adding important features to enable electronic OSS.
- Development of capacity to facilitate electronic communication and exchange of information with other public authorities involved in licensing procedures.
- Electronic Guide in Licensing.
- Regional events to increase awareness and understanding of licensing procedures, especially in the context of recent changes to the Licensing Law.

Participants agreed that the abovementioned issues are priorities in streamlining licensing procedures and BIZTAR will provide assistance in their implementation.

OSS solutions for Licensing Procedures

Electronic Register is core to electronic OSS. It enables creating an electronic database of information on licensing, exchange of electronic data among regulators, public access (web access) to electronic data, enhanced procedures for application, processing and issuance of licenses, all saving resources both for applicants and public servants.

This year the Licensing Chamber developed an electronic register of licenses. However, it is not operational as the Licensing Chamber lacked IT specialists to develop the requisite analytical and data sharing tools. Following receipt of a request from the LC to improve the register, BIZTAR developed SOW and following a tender selected an IT company to improve the register. Licensing Chamber was informed about the selection procedures and provided a letter of non objection on the selected company.

BIZTAR will sign the contract in first two weeks of July; the enhanced Electronic Register will be delivered within 4 months, with follow-on IT support to the Electronic Register, delivered during 10 additional months.

Additionally, the Licensing Chamber intends to develop its capacity to implement OSS solutions in cooperation with other involved regulators. As some other agencies either lack capacity to exchange information electronically or are not willing to cooperate in exchanging information, BIZTAR will assist the LC in undertaking an assessment of the feasibility of obtaining information electronically from other agencies, such as Agency for Cadastre, Register of Physical Persons, Legal Persons, and Vehicles, etc. As the capacity of other authorities to exchange information electronically is related to electronic OSS, this task was assigned to the IT company, selected to implement the Electronic Register and will be finalized in August.

Licensing Guide

The guidance would be ideally placed on the Chamber's web site and represent an interactive tool to explain and guide the applicant through licensing requirements. This activity was started right after the amendments to Licensing Law entered into effect as the amendments changed the licensing procedures and conditions.

The guide will be a very useful instrument to increase transparency and clearness of the regulatory framework in licensing. One of the problems encountered by the LC is applicants' poor knowledge of licensing conditions. This is both a problem for the Chamber, as applicants consume a lot of effort from Chamber's consultants, and for applicants, as they need to make several visits and spend additional money, especially when they come from a distant region.

BIZTAR developed 2 draft versions of the guide concept which were discussed during Working Group meetings. We agreed to apply a case study approach to developing the guide. For the case study we picked the most regulatory intensive licensed activity "Construction of buildings and/or engineering structures, engineering municipal installations and networks, reconstructions, reinforcements, and restorations". BIZTAR experts in cooperation with Licensing Chamber specialists will develop a 'model' guide for the mentioned activity. After the 'model' is

approved, it will be applied to more than 20 licensed activities and BIZTAR will also explore the possibility of adapting this experience to other regulatory measures, such as authorizations, permits etc. Once the content of the guide is drafted, BIZTAR will select an IT company to develop the electronic interface for the guide to be placed on the web site of the Licensing Chamber. The ‘model’ guide is expected to be finalized in July. Draft guides for each licensed activities will be produced steadily during August through October. And the guide which will cover all licenses issued by LC will be finalized by October.

Regional Events on Licensing Procedures

In collaboration with Regional Partners, BIZTAR will facilitate regional events to discuss recent changes of Licensing Legislation. Regional events are very important to:

- increase awareness about new licensing procedures, and therefore reduce costs and effort to comply,
- assist governmental agencies understand new operating requirements to improve compliance
- Create capacity to inform and participate in reform, by providing feedback to Licensing Chamber and establishing a consultation habit for consultation and coordination.

Our tentative plan is to organize 5 regional events on licensing by the end of this year.

Streamlining Construction Regulation Procedures

Work plan in Streamlining Construction Regulation

Following the study on construction regulation, needs assessment and interviews with stakeholders, BIZTAR drafted a work plan, which includes specific technical assistance actions in support of streamlining construction regulatory framework. The major areas of planned technical assistance are:

1. Assistance to Ministry of Construction and Territorial Development in streamlining construction regulation procedures, including improving the draft law on construction works and increasing transparency of normative documents in construction. The emphasis is on reducing regulatory procedures and improving Moldova’s position on Dealing with Licenses DB Indicator.
2. Develop OSS solutions for local public authorities, using Chisinau example. All assistance measures provided to Chisinau Mayoralty will be relevant for other local public authorities in Moldova as well. Chisinau will be a laboratory where the project will produce needs assessment as well as identify and implement assistance measures.
3. Develop and disseminate a guide on construction regulation and draft proposals to further streamline construction regulation requirements.

Report on Perspectives to optimize authorization in the field of construction: Comparative study of Chisinau and two local OSSs in Moldova (Report on regional variations in “Dealing with licenses (DB)”)

One of the most complex and burdensome authorizations, also specifically addressed by World Bank DB research, is licensing in the field of construction.² In Moldova this regulatory procedure is very ambiguous. The laws and government decisions are too general, allowing for considerable discretionary decision-making by involved regulatory authorities. The actual procedure is basically impossible to clearly identify just from the legal acts. To get the whole picture, institutionalized behavior of involved public authorities needed to be explored.

In this context, USAID|BIZTAR drafted a research paper on ‘Perspectives to optimize authorization in the field of construction: Comparative study of Chisinau and two local OSSs in Moldova’, which refers to construction authorization as to a set of all procedures required in building construction, including getting the permit to develop the design and finally register the real estate.

The study concluded that the construction authorization process is even more burdensome and complex than described in the DB report. The legislation is too general and unclear, with both considerable discretionary behavior from public authorities as well as some regional differences in procedures, which vary principally by the size of locality as smaller towns have fewer applicants and therefore have often combined several local public authority functions under the same unit. Nevertheless, the authorization for construction procedure still involves many interactions with numerous public authorities and institutions. (51 visits compared to 62 in Chisinau).

OSS initiatives implemented in Moldova proved that there is potential for reducing the number of interactions with public authorities, reducing considerably the time, costs, and risk of corruption and harassment. The total duration of procedures can be reduced from 351 days (revised DB indicator) down to just 147 days. Moreover, in the case of Chisinau, the number of visits to public authorities can be reduced from 62 down to 21.

In an effort to improve the situation on Dealing with Licenses indicator, BIZTAR provided assistance in reducing the number of procedures and their duration through improving the draft Law on Authorizing Construction Works. Further assistance will be targeted to improving other legal acts dealing with other stages of construction authorization. Additionally, BIZTAR plans to provide assistance to Chisinau Mayorality in streamlining construction regulatory procedures, including city planning certificate and construction authorization.

Assistance to Improving the Draft Law on Authorizing Construction Works

BIZTAR was part of the working group, established by the MCTD to revise the Draft Law on Authorizing Construction Works. The law was drafted last year and submitted to the Government. Fortunately, following the change of Ministers and the establishment of the Ministry of Construction and Territorial Development in April, new Ministry opted to further review the draft law. BIZTAR experts participated to numerous meeting to suggest, debate, and decide on improvements to the draft law. Experts contributed to 5 versions of the law and finally succeeded in introducing important changes to procedures related to issuing the urban planning

² In Doing Business it is called “Dealing with Licenses”.

certificate and the construction authorization. The draft dated June 30, would reduce several very burdensome procedures, such as clearances from Fire, Sanitary and Environmental Authorities at the stage of issuing city planning certificate and construction authorization, therefore reducing the number of regulatory procedures encompassed by Dealing with Licenses indicator by 6 procedures. Additionally it would require local public authorities to operate under OSS principles, i.e. generate and process all internally generated documents without involvement of applicant, such as applying separately for topographic layout, drawing of construction limit lines and other procedures. Finally, the draft law set limitations on utility companies, which are believed to impose burdensome requirements as onerous as some regulators; they will now have time limits to issue necessary documents.

As the existing draft would affect many regulators, in order to promote it and win parliamentary approval, a convincing RIA has to be drafted setting forth the justification for the proposed changes by estimating the impact which is supposed to generate more benefits than costs to businesses and society. Roman Ladus, BIZTAR Licensing Procedures Expert, will produce a draft RIA which will accompany the draft law when it is presented to the National Working Group on RR, Government and Parliament.

Develop and implement a collaborative program with strategic regional partners

Work with Regional partners from BIZPRO has been delayed. In this quarter contact was resumed and expectations vis-a-vis- potential support from BIZTAR were begun to be clarified.

Launch of the Regional Working Group on Regulatory Reform in the South of Moldova

The CCI branch from Cahul, with technical assistance from BIZTAR, in June launched the Regional Working Group on Regulatory Reform, which included public and private sector representatives from 3 raions: Cahul, Cantemir and Taraclia. The event was attended by 32 representatives of the public and private sector from the south region of the country as well as Octavian Calmic – Head of the General Trade Policies Division, and Mihail Onu – Head of the Entrepreneurial Development Division, from the Ministry of Economy and Trade.



Figure 3. Members of the RWG "South"

The meeting featured discussions around presentations regarding the Regulatory Reform in Moldova. Mihail Onu led a discussion on “The evolution of the Regulatory Reform in Moldova”. David Greer, the Chief of Party of the USAID|BIZTAR project, presented the USAID|BIZTAR Goals and Objectives. Igor Gutan – member of the RIA Secretariat, had a presentation on the Regulatory Reform and the National Working Group, Semion Platon, the Director of the CCI, branch of Cahul, presented the Role of the RWG in Regulatory Reform. Roman Ladus, Licensing Procedures Expert, USAID|BIZTAR, talked to the members of the RWG “South” about the Approach of USAID|BIZTAR project in regional work. This event was attended by media representatives from Moldova 1 TV Station, the TV station of the Cahul Mayoralty, and Radio Moldova.

Discussion Paper on BIZTAR Approach to Regional Work

BIZTAR drafted and distributed a discussion paper on BIZTAR’s Approach to Regional Work to explain the role and contribution of regional initiatives to the overall objective of the project and specifically regulatory reform success. The paper was disseminated to former USAID|BIZPRO regional partners, except for UNCALNIS, from Ungheni, which did not qualify given the poor current performance of the OSS there. Instead, the paper was sent to the CCI form Ungheni.

Joint meeting of potential Regional Partners

On June 20, BIZTAR hosted a meeting of potential Regional Partners. The purpose of the meeting was to explain BIZTAR’s approach to regional work and discuss possible regional initiatives. The meeting included the participants from the Balti region (Chamber of Commerce and Industry), the Cahul region (Chamber of Commerce and Industry), the Chisinau region: Chamber of (Chamber of Commerce and Industry), the Edinet region: (Chamber of Commerce and Industry as well as Edinagronord, Edine, the Hincesti region (APA Viitorul), the Orhei: region (Association of Agriculture Producers “ASPROAGRO” and Chamber of Commerce and Industry), the Soroca (Chamber of Commerce and Industry) and Mr. Mihail Onu, Head of RR Department, Ministry of Economy and Trade. Representatives from only two regions were missing: Ceadir-Lunga and Ungheni.

The representative from the Ministry of Economy and Trade, expressed appreciation for BIZTAR efforts to involve many regional stakeholder in the process of regulatory reform and expressed the Ministry’s willingness to participate and support regional initiatives, facilitating their participation in the activities of the Nation Working Group on Regulatory Reform. After the meeting, participants agreed to draft activity and budget proposals as regional partners, to be submitted in mid-July, for review prior to discussion with USAID. It is expected that together regional partners will conduct at least 4 regional-level events on regulatory issues this next quarter.

Develop the concept and strategy for creating national OSS system

At the request of the Ministry of Economy and Trade, the Project will prepare a study, as part of the national action plan of the National Development Strategy, on the development and creation

of a National One Stop Shop(s) system for selected activities of the central government. This is a major opportunity for the Project, in that we will develop the terms of reference and develop the fundamental core concept and strategy for creating a national OSS system. By accepting this challenge, BIZTAR will be able to shape the final design of the concept to match international practice, and achieve the optimal approach for streamlining various aspects of how the national OSS will work. We expect the development of the TOR to take place early in the next quarter, with a deadline for a final product to be adopted and implemented by the Government in Q1 of FY2009.

Assistance to the Ministry of Informational Development (MID)

BIZTAR has been requested by MID to assist in developing the state policy and strategy for electronic communications. By being part of this process, the project will achieve two goals: 1) we will be able to influence the development of the policy (which in turn will influence all of our overarching IT assistance measures to facilitate greater data sharing between government agencies) with the goal of shaping the development of a shared government database; and 2) will allow us to be “in the loop” regarding that policy development in order to ensure that our assistance to the NBS, STS, and others does not ultimately conflict with the state policy. We anticipate work to go forward intensively on this in the next quarter.

Improved access to government information

The BIZTAR Team worked closely over the past quarter with those in charge of the Ministry of Justice database of normative acts to develop a plan of assistance that will expand opportunities access to legislative acts through the MOJ Registry. The SOW has been elaborated and coordinated with the MOJ. BIZTAR specialists will continue working with MOJ on this during the next quarter.

Simplified business reporting requirements

The reporting requirements of the NBS, CNAS, and STS create the main reporting burden on businesses. Reducing tax-related reporting requirements at STS is described in the Component 2: Tax Administration Reform of this report.

BIZTAR staff started developing a rapid survey based on several hypothetical business scenarios of the reporting requirements these businesses face. This survey will provide benchmarks against which we can measure the effect of BIZTAR efforts to simplify the reporting requirements – for the core types of businesses that we are trying to affect. As a part of this work the general list of business reporting requirements (from NBS, STS, CNAS and CNAM) was drafted during this quarter.

In connection with rapid survey task BIZTAR staff has interviewed some businesses from IT, textile and agricultural field of activity, book-keeping service company and an individual accountant. The problems of business reporting requirements, raised by the representatives of these companies, can be summarized as following:

- the high cost of delivery of reports (reports are presented in person to the state institutions);

- the same information is collected several times;
- the high frequency of reporting requirements.

Assistance to NBS

Initial discussion with NBS suggest that NBS is more interested in strengthening its report processing capacity and less interested in reducing reporting requirements or time used for reporting required of businesses.

BIZTAR'S assessment delivered in March proposed several ways to relieve the reporting burden for business, such as data sharing. Of those remedies, presented in the previous quarterly report, all except one (i.e. directly eliminating some of the questionnaires and questions now collected, after reconsidering the need for the data) cannot realistically proceed without a new Integrated IT system at NBS, one that would support the sharing of data among divisions and the merging of e-reports in datasets. The UNDP E-Governance Project is presently developing an Integrated IT system Concept for the NBS which will be accompanied by an implementation action plan. This work was planned to be finalized in mid May, but is delayed until next quarter at least.

BIZTAR's representatives participated at the presentation and the general discussion of the first draft of the Concept and our plans involve further working with the leadership of the NBS and with the UNDP E-Governance Project to coordinate the development of terms of reference and technical specifications for the design of a new Integrated IT system.

Elimination of low-value questionnaires and questions, which can proceed without an Integrated IT system at NBS, is an activity included in the National Development Strategy for 2008-11, the main policy document of the country. However, as the information collected by NBS is used for calculation of many indicators provided to different users (mainly state authorities), in general, it is not at the discretion of NBS to eliminate these indicators and respectively there is a little possibility to eliminate the questionnaires which collect information used for calculation of these indicators.

Therefore, it is reasonable a first step is to review and revise the system of indicators provided to users by NBS in order to identify the indicators with little value. The UNDP project on "Strengthening the National Statistical System" plans to assist NBS in performing this work starting with some social indicators, for which the questionnaires mainly collected from state authorities are used. BIZTAR intends to participate in the revision of indicators, focusing on a small set of business indicators and trying to identify the indicators which are outdated. A work plan for this activity will be developed in the next quarter.

BIZTAR has also proposed using administrative data collected by other agencies as an alternative source for some information, and providing assistance related to data sharing between government agencies is an important part of our Project activities. Indeed, in order to implement Principle 9 of European statistics code of practice: "Non-Excessive Burden on Respondents" the administrative data sources shall be used whenever possible to avoid duplicating requests for information. In the case of NBS the administrative data available at STS and CNAS could be important sources of information. However, according to Latvia experience the main problem with administrative data is that in many cases it cannot be used to replace data collected through

questionnaires, due to differences in data format, frequency of collection, etc. This is a common case for former Soviet Union countries, where state authorities usually do not coordinate in advance with statistical authority the definition, format of data they intend to collect. Despite this the Latvian statistics authority tries to use the administrative data at maximum to reduce reporting burden, even if most of administrative data is used only for verification with similar statistical data.

BIZTAR has begun to identify whether the administrative data could be used to replace statistical data collection or to evaluate the potential of implementation of integrated survey (questionnaire), mapping this last quarter the reports that businesses and individuals are required to make to CNAS to identify whether this information could be collected from other government agencies instead. Specifically the list of information (declarations, reports, data, etc.) collected and provided by CNAS was compiled last quarter. Next quarter BIZTAR will complete that assessment of intergovernmental data sharing as well as an assessment of the possibility of using data stored in accounting software of the companies for reporting requirements.

NBS has requested BIZTAR assistance in connecting all its regional statistical offices to the Internet. The process of implementation of the on-line data collection from the legal entities is supposed to be supported by regional statistical offices and it is necessary to have on-line connection of the offices. There are now 2 surveys — household survey and labor force survey — for which the web based software has been developed but its efficient implementation of them is slow because of lack of Internet connection of the regional offices. The implementation of the common integrated accounting software is also stopped for the same reason. The existence of Internet connection would simplify and reduce the data verification process between regional statistical offices and central office. Next quarter this request not directly related to reducing reporting burden on businesses will be reviewed with USAID.

Assistance to CNAS

CNAS has expressed interest in a similar comparative benchmarking study similar to that conducted for the STS, but in practical terms that is not possible as comparative data for other countries is not readily available and commonly accepted performance indicators have not been agreed upon. Also, World Bank is in the process of assessing assistance needs for improving Moldova's pension system. To identify the CNAS' IT assistance needs, meetings were conducted with Mr. Alexei Sitci, the chief of the IT Department, and Mr. Ivan Cucias, Manager of the project for implementing the new IT system in CNAS. The following areas of IT support were identified which are needed for a sustainable CNAS IT infrastructure:

- Support and development of the new integrated system
- Develop the interface for real time access to the register of persons and legal entities hosted by the Ministry of Informational Development
- Development of electronic services for clients, principally other government agencies
- Enable the system to provide services in real time for government agencies.
- Training of CNAS IT personnel

BIZTAR will review these assistance requests with USAID in the next quarter.

Component 2: Tax Administration Reform

BIZTAR is in the process of develop a work program with STS to simplify and reduce the burden associated with reporting and making payments for taxes, fees and social contributions in Moldova, as well as to create ways that compliance might be made administratively simpler for taxpayers, without creating tax administration difficulties. The objective is not to reduce the amount of tax that businesses and individuals pay, but to reduce the administrative costs to businesses of reporting on and actually paying taxes that are due, as well as the administrative costs to the State Tax Service (STS) of collecting those taxes. Achieving this objective not only means identifying and eliminating unnecessary or redundant forms, but also identifying nuisance taxes and fees that yield little revenue.

Opinion on tax sanctions in the Contravention Code draft

At the request of the Legal Commission for Appointments and Immunities of the Parliament of Republic of Moldova, an opinion on tax contraventions in the draft Contravention Code was presented, which is under second reading. The recommendations were developed with representatives of Main State Tax Inspectorate and supported by the Supreme Court of Justice. As a result of discussions, the Parliamentary Commission has decided to keep tax sanctions in the Tax Code and to exclude these from the respective Chapter of the draft Contravention Code.

Opinion on Tax Mediation

At the request of the Mr. Balaban (Counselor of the President of Republic of Moldova for special mission and external assistance coordination) the Project prepared for STS an opinion on developing tax mediation according to the Law on Tax Code Amendment, prepared by STS. Mediation, in contrast to litigation and arbitration, both formal and binding methods of dispute resolution, can be characterized as “facilitated negotiation” – neither a binding process, nor having formal processes. Mediation is a means to avoid a dispute that requires resolution. It means that there is no mutually obvious agreement between the parties, and in order to avoid the time, cost, and trouble of formally resolving the dispute, the parties, through the mediator, attempt to find common ground; in a sense, this is simply negotiation/renegotiation prior to reaching the level of dispute.

Reducing tax-related reporting requirements in Moldova and micro simulation model

Last quarter BIZTAR presented a study which provided comparative, benchmark information on tax administration in Moldova compared to its neighbors and best-practice. That report was being reviewed by the STS at the end of the quarter, and is expected to be discussed with the principal author, Mr. Mark Gallagher, in July, and lead to identification of a technical assistance work plan with STS.

Also last quarter BIZTAR specialists began preparation of a study on the options to streamline the tax structure.

The Moldovan personal income tax reaches very far down the income ladder, affecting very lowly paid wage earners, for whom reporting and record keeping are required, both for private business and the STI. The overall structure is being analyzed, seeking options for reducing the number of low-paid wage earners required to file returns, while seeking to maintain revenues using a microsimulation model. The model would allow the STI to simulate the impacts on persons and households at differing income levels, from changes in the tax structure, such as altering the structure of marginal tax rates, adjusting the personal deduction, or changing the family deductions

BIZTAR is also working with STS to comparatively assess the net benefits of each tax imposed on business, considering both STS and business costs. The findings will then provide a comprehensive picture of the tax compliance burden in Moldova, including both statutory (and non-statutory) requirements for reporting and paying taxes, and recommendations for simplifying requirements and reducing the overall burden to taxpayers.

Barcode Automatic Information System for Fiscal Declarations

The use of web-accessible tax declaration forms printing summarizing taxpayer personal and financial data in barcodes will save the STS an enormous amount of person-years in coding data for incorporation into STS databases. The Barcode Automatic Information System will become an important part of the informational system of the State Tax Service and a model for data submission to other government agencies, which in turn is a component part of the state informational resources of the Republic of Moldova.

The legal basis for the development of the Barcode Tax Report Generation and Processing Automatic Information System is stipulated in the provisions of the Action Program on the Moldova's Threshold Country Program Implementation within the US Millennium Challenge Corporation program.

UNDP e-Declarations project developed the Concept of the Barcode System and the draft Terms of Reference in collaboration with STS. But this last quarter it was determined with STS that as UNDP does not have sufficient resources for implementing it, the USAID/BIZTAR project would lead the development of the system and with assistance from the MGTCP Project in the electronic equipment procurement process. As per the STS formal request, USAID/BIZTAR Project has drafted a TOR to be published in early July. The system will be piloted tested in December.

Principal Achievements Projected for Next Quarter

Next Quarter Summary – Regulatory Reform

- Enhanced Electronic Register of Licenses in pilot testing (to be launched in October)
- Data sharing recommendations between LC and other agencies presented
- Draft Licensing Guide on some activities presented to LC
- RFP issued for development of web-accessible Licensing Guide
- At least 4 regional events on regulatory issues
- Draft RIA presented to support Draft law streamlining authorization for construction works
- Finalize joint work plan with Ministry and with the Chisinau Mayorality on streamlining construction regulatory procedures, including city planning certificate and construction authorization
- Receipt, reviewing, and formalization of partnership agreements with regional partners
- Study initiated on legislative and regulatory framework for a national One-Stop Shop system
- Continuing assistance to MID in developing state policy and strategy for electronic communications
- Continuing work plan with MOJ on improvements to MOJ registry

Next Quarter Summary – Relieving reporting burdens on businesses

- Develop and test a simple methodology to periodically assess reporting burden
- Participation in IT concept design for NBS
- Assessment of options for NBS to use administrative data from other agencies as alternative sources of some required information
- Assessment of using accounting software to provide some data to NBS
- Formulation of a joint work plan for assistance to CNAS and NBS
- Review of NBS request to establish internet connectivity with its regional offices

Next Quarter Summary – Tax Administration reform

- Formulation of comprehensive STS-BIZTAR work plan following review of benchmarking study
- Presentation and discussion of recommendations from microsimulation study on tax rate structure
- Presentation and discussion of results on comparative study on taxes imposed on business
- Developing the Automated Information System for processing the tax reporting with bar code
- Development of the web accessible taxpayer current account subcontracted and initiated.

List of Reports / Deliverables

The following technical reports were completed by BIZTAR during the last quarter.

Report Title	Primary Author	Date Complete	Type of Report*
Report on Perspectives to optimize authorization in the field of construction: Comparative study of Chisinau and two local OSSs in Moldova (Report on regional variations in “Dealing with licenses (DB)”)	R. Ladus	04/10/08	D
2 drafts of the National Strategy of Electronic Communications	E. Osmochescu	during May-June	D
5 drafts of the Law on Authorizing Construction Work	R. Ladus V. Rusu	during June	R
Draft of Licensing Guide Concept	R. Ladus	06/26/08	R
Discussion Paper on BIZTAR Approach to Regional Work	R. Ladus	05/29/08	R
Memo on Strategy Action Plan for Regional Work	R. Ladus	05/06/08	R
Memo on Streamlining Construction Regulatory Procedures Work Plan	R. Ladus	06/11/08	R
Memo on the assistance options to NBS	O. Grigoroï	06/27/08	R
Report on tax contraventions regulation in the draft Contravention Code (discussions at the Legal Commission for Appointments and Immunities of the Parliament of the Republic of Moldova, 21 May 2008)	V. Rusu	05/21/08	R
Opinion to the draft law on Tax Code amendment (tax mediation)	D. Greer V. Rusu	06/04/08	R

*D = deliverable; R = other report

Problems and Implementation Issues

- **Ministry of Construction and Territorial Development establishment**

Recently established Ministry of Construction and Territorial Development, which replaced the Agency for Construction and Territorial Development, has not been fully established: the departments have not been established and the staff have not been officially re-hired by June 30. Therefore, the activities in streamlining construction regulations might be delayed.